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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC #03336-87

6 August 1987

MEMORANDUM FOR:

C/PPS

25X1

FROM: H. F. Hutchinson, Jr.

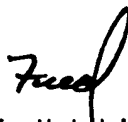
VC/NIC

SUBJECT: Iranian and Soviet News Releases

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1. The attached clippings cite the Iranian IRNA, the Soviet TASS, and the South-North News Service on railroad and pipeline agreements between Iran and the USSR. The thrust of the stories is that the USSR is lining up with Iran in its current conflicts, the USSR is gaining warm water access, and that Iran is skillfully manipulating the great powers. All of that may be true.

2. On the other hand, I ask what you know about the South-North News Service and these releases. Our NIOs for the NES and USSR need to sort through the implications of these stories. A note or any reports you may hold on the service and the stories would be appreciated.



H. F. Hutchinson, Jr.

Attachments:

As stated

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6 August 1987

SUBJECT: Iranian and Soviet News Releases

DCI/NIC/VC:HFHutchinson:

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Dist:

Orig - Addressee

1 - NIO/NESA

1 - NIO/USSR

1 - NIO/FDIA

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5 AUG 87

WALL ST JOURNAL

Iran and Soviets Plan Railroad, Pipeline Links

Agreement Brings Moscow Step Closer to Its Goal Of Access to Port on Gulf

By YOUSSEF M. IBRAHIM

Staff Reporter of THE WALL STREET JOURNAL

Iran, making a political point, chose a time of mounting hostility with the U.S. and the Persian Gulf Arab states to announce that it and the Soviet Union had agreed to open a railroad and an oil pipeline linking the two neighboring countries.

These two strategic links would provide the Soviets with something that Iran had historically denied the Russians: access to a warm-water port on the gulf. And the pipeline would enable Tehran, locked in a seven-year war with Iraq and facing U.S. warships in the gulf, to export and import oil to and from the Soviet Union if Iran's main oil pipelines and terminals are put out of action.

A dispatch from Tehran by the South-North News Service, a small news agency that in the past has reliably reported on developments from inside Iran, said the agreement was announced yesterday after a long meeting between Iranian Foreign Minister Ali Akbar Velayati and visiting Soviet First Deputy Foreign Minister Yuli Vorontsov.

Soviet Sources

The news service correspondent, Fereydon Pezeshkan, quoted sources close to the Soviet Embassy in Tehran as saying the railroad would allow the transportation of goods from the Soviet Union down to the Persian Gulf coast. The embassy source wouldn't comment on the rail line's military potential, the news service said.

The dispatch said the pipeline would be built but said the exact location hadn't been decided. Last month, The Wall Street Journal, quoting senior Iranian officials in Vienna, reported that Iran has discussed a contingency plan with the Soviet Union to transform an existing natural-gas pipeline that originates in Iran and terminates on the Black Sea in the Soviet Union, away from the turbulent waters of the gulf. It would have a capacity of one million barrels a day.

The Iranian officials suggested that the only readily available existing gas pipeline is IGAT-1, which originates in Agha Jari and Maroun in Iran and crosses the Soviet border at Astara.

These contingency plans were in addition to a 540-mile internal oil pipeline that is under construction to carry Iranian crude overland from the Khuzistan oil fields in the south of Iran to Jask, outside the Strait of Hormuz.

First Connection

The South-North News Service report said the railroad would be the first connecting the Soviet Union to the Persian Gulf, but added that its exact location is still being planned, with the idea that it will end somewhere in Turkmenistan in Soviet Central Asia.

Beyond the strategic implications of both projects, the timing of the announcement and the high level of the Soviet envoy who came to Tehran to discuss the plans underlines a new dimension in Iran's skillful attempts to manipulate its relations with big powers.

Soviet First Deputy Foreign Minister Vorontsov also met with the Iranian foreign minister as well as with Iranian President Ali Khamenei and Prime Minister Hossein Mosavi to express his condolences for the deaths of hundreds of Iranian pilgrims in Mecca Friday, which he described as "murders and massacres [that] are shocking to our imagination."

Clearly the Soviets saw an immediate benefit in feeding on Iran's fury at what Ayatollah Ruhollah Khomeini has denounced as an American-inspired deliberate act of aggression against Iran conducted by Saudi Arabia's royal regime. The Saudis are frequently referred to by the Iranian media as lackeys of the U.S. Tehran has vowed to exact revenge for the deaths of the Iranian pilgrims and has moved into an open confrontation with Saudi Arabia.

Although Mr. Vorontsov expressed optimism about expanding political and economic relations between the U.S.S.R. and Iran, the Soviet Union must tread carefully because it has supported a United Nations resolution, which Iran has denounced as unjust, calling for an end to the Iran-Iraq war.

In the past, Iran has denounced the Soviet invasion and occupation of Afghanistan, jailed the entire leadership of Iran's Moscow-oriented communist party, and established ties that could be used to foment trouble among the Soviet Union's substantial Moslem minorities. Along with the U.S., the Soviets have been denounced as "great Satans."

In return for this rapprochement with the Soviets, Iran is demanding that the Soviets distance themselves from the U.S.-led effort to safeguard maritime traffic in the Persian Gulf, and that the Soviets reduce their military supplies to Iraq, or at least provide matching military assistance to Tehran.

Iran needs the opening to the Soviet Union, as its relations with the West have deteriorated in the past few weeks. It is embroiled in a nasty confrontation with France in which diplomats of both countries are being held captive in their respective embassies in Tehran and Paris, and is flirting with naval confrontation with the U.S. in the gulf.

WASHINGTON POST

5 AUG 87

Soviets, Iranians Plan Joint Economic Projects

Both Criticize U.S. Presence in the Gulf

By Jackson Diehl
Washington Post Foreign Service

MOSCOW, Aug. 4—The Soviet Union and Iran agreed on new "large-scale" projects of economic cooperation and jointly criticized the U.S. naval presence in the Persian Gulf during a visit to Tehran by Soviet First Deputy Foreign Minister Yuli Vorontsov, the Tass news agency said today.

Vorontsov, conducting his second visit to Iran since June, held talks with President Ali Khamenei, Prime Minister Hussein Moussavi and Foreign Affairs Minister Ali Akbar Velayati during a three-day visit ending today, Tass said. Vorontsov is also due to visit Iraq during his tour.

The two sides expressed "mutual concern" over "the unprecedented build-up of U.S. military presence in the area," Tass said. It said Iran had supported Moscow's proposal for the withdrawal of all foreign naval ships from the Persian Gulf and for Iran and Iraq to refrain from actions

that pose a threat to international shipping.

Western diplomats here said Vorontsov's visit was a sign of a modest improvement in ties between the Soviet Union and Iran as Moscow sought to take advantage of Tehran's rapidly deteriorating relations with the West. Tass said "mutual interest in further continuation and deepening of Soviet-Iranian political contacts was reaffirmed" by the senior officials' talks.

Vorontsov's tour also appeared designed to assess the prospects of pursuing the recent resolution by the U.N. Security Council calling for an end to the Iran-Iraq war, diplomats said. Tass reported that during Vorontsov's talks "issues connected with the ongoing Iran-Iraq conflict were considered in detail in the light of" the U.N. resolution, which Moscow supported.

The Iranian news agency IRNA, monitored by western news services in London, said that Vorontsov had "condemned the govern-

ments involved" in the death of hundreds of Iranian pilgrims in Mecca last Friday. But Soviet Foreign Ministry spokesman Gennadi Gerasimov said at a press conference here today that he could not confirm the remarks.

Gerasimov said of the incidents at Mecca, "We regret any act of bloodshed."

Soviet-Iranian ties have long been strained. The fundamentalist Iranian leadership liquidated the pro-Soviet Tudeh party and supported Afghan guerrillas battling Soviet military forces. Tehran has also condemned the Soviet Union for supplying weapons to Iraq, a long-standing ally of Moscow.

However, contacts between Tehran and Moscow have recently increased. After Vorontsov last visited Tehran in June, Iranian Deputy Foreign Minister Javad Larijani traveled to Moscow last month. Western diplomats believe a trip to Tehran later this year by Soviet Foreign Minister Eduard Shevardnadze is under discussion.

Tass said the latest talks had produced agreement "for the implementation of large-scale projects of mutually beneficial economic cooperation," without specifying what these would be. The Iranian agency quoted Vorontsov as saying the Soviet government is willing to study projects in the field of energy, steel mills and industry.

N Y TIMES

5 AUG 87

Iran and Soviet Draft Big Projects, Including Pipelines and Railroad

By PHILIP TAUBMAN
Special to The New York Times

MOSCOW, Aug. 4 — The Soviet Union said today that it had reached general agreement with Iran to cooperate on large-scale economic projects and to deepen political relations.

The press agency Tass, reporting on a visit to Teheran by Deputy Foreign Minister Yuri M. Vorontsov, said the two countries had "declared for the implementation of large-scale projects of mutually beneficial economic cooperation."

Tass gave no details on the agreement, which appeared to signal a major step in Moscow's recent efforts to stabilize and improve relations with Teheran after a period of tension earlier in the year.

In Teheran, the Iranian press agency reported that Soviet and Iranian officials had discussed several major industrial projects, including oil pipe-

lines, refineries and a railroad from the Soviet Union to the gulf.

The Iranian agency said: "The two sides discussed the building of oil pipelines, expansion of cooperation in the area of power and steel, oil refining, preliminary progress in joint shipping in the Caspian Sea and plans to build a railroad linking the Soviet border with the Persian Gulf."

The proposed agreements were also reported in a Teheran dispatch by a correspondent of the South-North News Service, based in New Hampshire.

[In Washington, Reagan Administration officials said they understood that the Russians and Iranians had discussed possible economic cooperation, as they have done in the past, but that no agreement had been signed during Mr. Vorontsov's visit.

Continued on Page A12, Column 1

Continued From Page 1

Until now, the officials said, economic cooperation between the two countries has been limited. Soviet technicians have not been allowed to return to industrial sites in northern Iran, and no work has begun on a plan to refurbish the Soviet-Iranian natural gas pipeline.]

Effect on Region's Balance

Improved ties between Moscow and Teheran, particularly construction of oil pipelines and a railroad, would have significant bearing on the strategic and political balance in the region, as well as American interests.

The United States has long feared an expansion of Soviet influence in Iran, and through it, in the Persian Gulf region, the main source of imported oil for Western Europe and Japan and an important source for the United States.

Since the Islamic fundamentalist revolution that toppled the pro-Western Government of Shah Mohammed Riza Pahlavi in 1979, Washington and Moscow have jockeyed to maintain influence in Teheran. Both are looking to

possible changes after the death of Ayatollah Ruhollah Khomeini, the Islamic revolutionary leader.

Reagan Cited Soviet Threat

President Reagan cited the threat of a Soviet military buildup in the gulf when he announced in June that the United States would increase military forces there to protect shipping.

"If we don't do the job, the Soviets will," Mr. Reagan said.

Moscow and Washington have been engaged in a complex series of diplomatic maneuvers in recent weeks seeking to end the seven-year-old Iran-Iraq war and to protect shipping, while simultaneously defending their own national interests.

Mr. Vorontsov's visit to Teheran, following stops in Iraq and Syria last week, was billed by Moscow as an effort to end the fighting and gain agreement from Iran and Iraq to honor the cease-fire resolution of the United Nations Security Council.

The reports in Moscow and Teheran today suggested that Mr. Vorontsov, the Soviet Union's top troubleshooter, was pursuing a broader agenda, including an effort to bolster Soviet influence and to line up support for a Moscow proposal that all foreign military forces be withdrawn from the gulf.

Tass said that Mr. Vorontsov met during his three-day visit with President Hojatolislam Ali Khamenei, Prime Minister Mir Hossein Mousavi, Foreign Minister Ali Akbar Velayati and others.

"During the meetings there was a detailed exchange of views on matters concerning Soviet-Iranian relations and their further development on a long-term basis," Tass said.

The Iranian agency reported that Mr. Vorontsov had expressed his Government's condolences over the death of hundreds of Moslem pilgrims, many from Iran, in Mecca last Friday. The agency quoted the Soviet official as having said, "Such murders and massacres are shocking to our imagination."

In Moscow, the Foreign Ministry spokesman, Gennadi I. Gerasimov, said, "We express our regret over the bloodshed that took place in Mecca."

Iran Said to Back Soviet Proposal

Tass said that Iran had declared support for a Soviet proposal, announced last month, that all foreign military forces be withdrawn from the gulf.

Iran also said, according to Tass, that, along with Iraq, it would refrain from "actions posing a threat to international shipping."

An Iranian journalist working for the South-North News Service, Fereydon Pezeshkan, also reported from Teheran that Soviet and Iranian officials had agreed to the development of several major industrial ventures, including a railroad and oil pipeline from the Soviet border to the gulf.

The wording of the Tass report and the Iranian press agency announcement was less definitive and left unclear whether the two sides had agreed to proceed with the specific projects or had reached a more general understanding.

Construction of a railroad from the Soviet Union to the Persian Gulf would have potentially enormous military and economic implications.

It would give the Soviet Union, which has historically sought access to warm waters, a direct link to the gulf to transport both industrial products and military equipment.

The building of an pipeline would serve both Iranian and Soviet interests, giving Iran a land route for exporting its oil to Europe and giving Moscow access to the gulf for its oil exports.

All Iran's oil exports are transported by tanker through the gulf, putting Iran at a disadvantage compared with Iraq, which can export oil by pipeline through Turkey and Jordan.